




**Annual Report  
to the  
Shareholders  
1974**



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# 28th Annual Report

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SOBEYS STORES LIMITED  
AND SUBSIDIARY COMPANIES  
Year Ended May 4, 1974

## Directors and Officers

### Directors

Merritt G. Crawford  
William G. Lumsden  
Arthur R. Lundrigan  
J. Skiffington Murchie  
Henry B. Rhude  
David F. Sobey  
Donald R. Sobey  
Frank H. Sobey  
Harold M. Sobey  
William M. Sobey  
Chas. E. Stanfield  
Arthur Steele

*New Glasgow, N.S.  
Burlington, Ont.  
Corner Brook, Nfld.  
New Glasgow, N.S.  
Halifax, N.S.  
New Glasgow, N.S.  
Stellarton, N.S.  
Abercrombie, N.S.  
New Glasgow, N.S.  
Stellarton, N.S.  
Truro, N.S.  
Middleton, N.S.*

### Officers

Frank H. Sobey  
William M. Sobey  
David F. Sobey  
J. Skiffington Murchie  
Harold M. Sobey  
Merritt G. Crawford  
J. Robert MacMillan  
D. B. Eddy

*Chairman of the Board  
President  
Exec. Vice President  
Vice President  
Vice President  
Treasurer  
Secretary  
Vice President, Personnel & Public Relations*

### Head Office:

Stellarton, Nova Scotia  
Established 1906  
Incorporated 1946

### Auditors:

H. R. Doane and Company  
New Glasgow, N.S.

### Transfer Agent and Registrar:

Montreal Trust Co. Montreal  
Toronto — Saint John — Halifax

### Bankers:

The Bank of Nova Scotia



# Report of the Directors to the Shareholders

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## **Sales and Earnings**

The past year has been a difficult one for your company, in that although a continuing strong market program resulted in sales before rental income of \$152,000,000, an increase of 20% over the previous year, earnings failed to keep pace. Continued pressure on gross operating margins in the Atlantic Provinces, inflationary activity in operating expenses and the full write off policy of costs incurred in opening new stores all contributed to the decline.

In addition heavy losses were incurred in Joy and L-Mart divisions and were fully provided for in the accompanying financial statements. The operations of these two divisions have been re-organized, and your company is optimistic that these losses will not re-occur in the current year.

Earnings before extraordinary items amounted to 45¢ per share compared with last year's 85¢. Extraordinary items of \$218,000 contributed an additional 28¢ per share to bring net earnings to 73¢ per share.

## **Financial**

Dividends of 40¢ per Class A Common Share and regular dividends on the company's 6<sup>1</sup>/<sub>4</sub>% Preference Shares were paid during the year. The regular quarterly dividends of the company's Class B Common Shares were suspended during the fourth quarter.

Although cash flow from operations of \$2.7 million or 3.49¢ per share improved, working capital at the end of the year declined to \$795,000 against last year's \$1,153,000 brought about by heavy expansion.

Steps have been taken to improve the company's working capital position, and several operational changes have recently been completed which should result in improved earnings in the current fiscal year.

## **Lumsden Brothers Limited**

Sales and earnings continued to develop satisfactorily. New marketing programs designed to assist dealers and improved plant and production facilities are assisting in the Company's broadening market penetration.

## **T.R.A. Foods Limited**

On April 29, 1974, a fire destroyed the Company's main warehouse in Middleton — this loss is completely covered by insurance and construction of new modern facilities are underway. Customers are being serviced by other company subsidiary warehouses in Nova Scotia.

## **Atlantic Shopping Centres Limited**

The Company increased its ownership of the Sydney Shopping Centre from 40% to 94%. During this period the centre was expanded and converted into a modern mall centre and public response to this improvement is excellent.



Construction of the Simpsons Mall in Halifax, a joint venture with The Robert Simpson Company Limited, is presently ahead of schedule and will open in the spring of '75. Other shopping centres, also joint ventures, in Summerside, P.E.I. and Stephenville, Newfoundland will open during the first and third quarters of the current fiscal year.

A new Nova Scotia Regional Shopping Centre, Downsview Mall, in Lower Sackville, Halifax County was opened during this period — a number of other centres are in the planning stages.

### **Expansion**

Sobeys Food Village — a 44,000 sq. ft. store was opened in Dartmouth's new Penhorn Mall Shopping Centre. The unique design and merchandising ability of this store and customer acceptance is gratifying.

Other stores were opened in Windsor, N.S.; Downsview Mall, Lower Sackville, N.S.; and in the Moncton Mall regional centre, Moncton N.B.

Three older units were closed during this period, the buildings leased and are providing satisfactory income.

### **Personnel**

The development of Management through personnel training in all phases of the Company's operations and methods of improving productivity are continually being explored and implemented. To continue with this program, Mr. D. B. Eddy was appointed Vice-President, Personnel and Public Relations.

### **Outlook**

While it is expected that the inflationary trend and pressures on retail food markups will continue, we do expect a return to more profitable operations with a continued increase in sales and market penetration.

### **In Appreciation**

The company extends its appreciation to its many employees for their dedication and loyalty during the past year.

**FRANK H. SOBEY**  
Chairman of the Board

**WILLIAM M. SOBEY**  
President

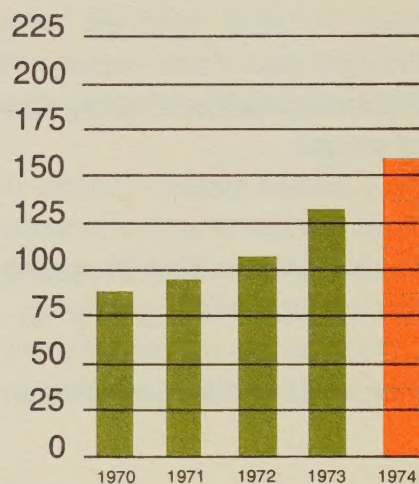


# Consolidated Five Year Review

**SOBEYS STORES LIMITED  
AND SUBSIDIARY COMPANIES**

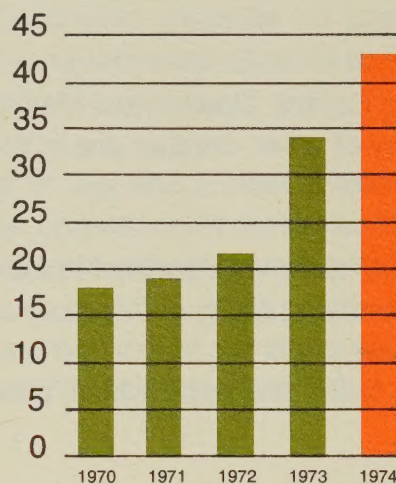
## Sales

(millions of dollars)



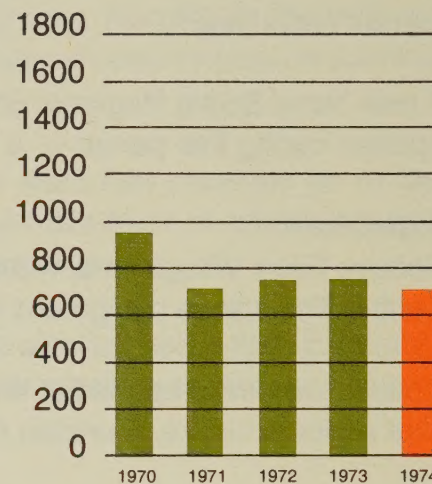
## Fixed Assets

(millions of dollars)



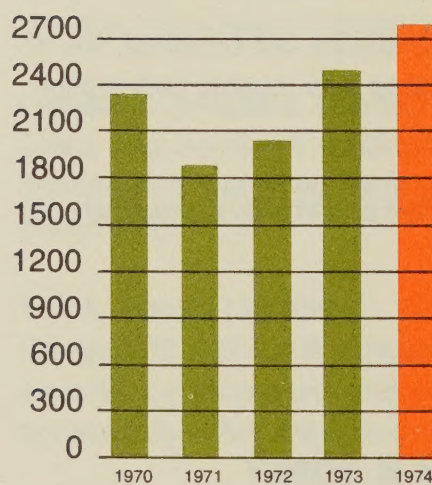
## Net Income

(thousands of dollars)



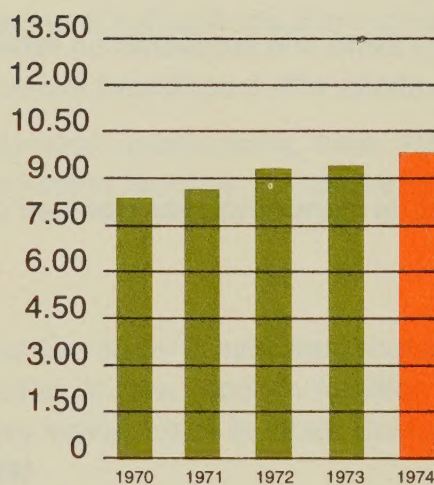
## Cash Flow

(thousands of dollars)



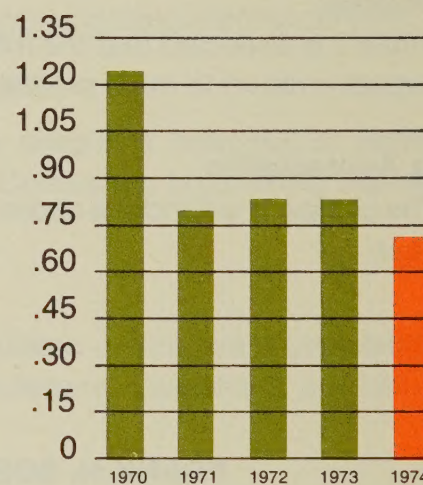
## Equity Per Share

(dollars)



## Earnings Per Common Share

(dollars)





# Consolidated Statement of Earnings

**SOBEYS STORES LIMITED  
AND SUBSIDIARY COMPANIES**  
Year Ended May 4, 1974

|  | 1974          | As restated<br>1973 |
|--|---------------|---------------------|
| Revenue  |               |                     |
| Sales  | \$151,926,711 | \$126,840,290       |
| Rentals  | 5,107,391     | 2,878,829           |
|  | 157,034,102   | 129,719,119         |
| Cost of sales, selling and<br>administrative expenses  | 151,567,983   | 125,852,152         |
|  | 5,466,119     | 3,866,967           |
| Depreciation   | 1,629,666     | 1,244,903           |
| Interest on long term debt                             | 2,278,745     | 1,140,067           |
| Interest on current debt                               | 562,978       | 329,892             |
|  | 4,471,389     | 2,714,862           |
| Earnings before other items                            | 994,730       | 1,152,105           |
| Other items (Note 6)                                   | 87,050        | 129,482             |
| Earnings before income taxes and<br>minority interest  | 1,081,780     | 1,281,587           |
| Income taxes (Note 7)                                  |               |                     |
| Current  | 215,427       | 93,826              |
| Deferred   | 341,459       | 418,987             |
|  | 556,886       | 512,813             |
|  | 524,894       | 768,774             |
| Minority interest                                      | 99,696        | 26,282              |
| Net earnings before extraordinary item                 | 425,198       | 742,492             |
| Extraordinary item (Note 1)                            | 217,831       |                     |
| Net earnings   | \$ 643,029    | \$ 742,492          |
| Earnings per common share before<br>extraordinary item | \$ .45        | \$ .85              |
| Extraordinary item                                     | .28           |                     |
| Earnings per common share                              | \$ .73        | \$ .85              |
| Cash flow per share                                    | \$ 3.49       | \$ 3.12             |



# Consolidated Statement of Retained Earnings

**SOBEYS STORES LIMITED  
AND SUBSIDIARY COMPANIES**  
Year Ended May 4, 1974

|  | 1974        | 1973        |
|--|-------------|-------------|
| Balance, beginning of year                                   |             |             |
| As previously reported                                       | \$4,850,627 | \$5,850,606 |
| Adjustment of prior years' income taxes                      | 307,610     | 307,610     |
| As restated  | 4,543,017   | 5,542,996   |
| Net earnings   | 643,029     | 742,492     |
|  | 5,186,046   | 6,285,488   |
| Dividends paid   |             |             |
| Preference   | 80,174      | 83,327      |
| Class "A" common   | 208,344     | 208,344     |
| Class "B" common   | 76,200      | 101,600     |
| Redemption of preference shares                              | 55,500      | 44,620      |
| Excess of cost of investments over book value on acquisition | ( 91,501)   | 1,304,580   |
|  | 328,717     | 1,742,471   |
| Balance, end of year   | \$4,857,329 | \$4,543,017 |



# Consolidated Statement of Source & Application of Funds

SOBEYS STORES LIMITED  
AND SUBSIDIARY COMPANIES  
Year Ended May 4, 1974

|   | 1974       | As restated<br>1973 |
|---|------------|---------------------|
| <b>Source</b>   |            |                     |
| Operations  |            |                     |
| Net income  | \$ 643,029 | \$ 742,492          |
| Depreciation  | 1,629,666  | 1,244,903           |
| Deferred income taxes                                       | 341,459    | 418,987             |
| Minority interest   | 91,146     | 17,732              |
|   | 2,705,300  | 2,424,114           |
| Decrease in mortgages, loans and<br>notes receivable        | 13,404     | 37,497              |
| Proceeds from long term debt                                |            |                     |
| Real estate   | 9,734,948  | 11,395,596          |
| Merchandising   |            | 812,934             |
| Minority interest   | 464,122    |                     |
| Excess of net assets acquired over<br>consideration paid    | 91,501     |                     |
|   | 13,009,275 | 14,670,141          |
| <b>Application</b>  |            |                     |
| Net additions to property                                   |            |                     |
| Real estate assets  | 8,741,972  | 9,388,297           |
| Merchandising   | 2,547,106  | 4,108,393           |
| Repayment of long term debt<br>including current maturities | 1,596,970  | 1,446,270           |
| Redemption of preference shares                             | 55,500     | 44,620              |
| Dividends   | 364,718    | 393,271             |
| Income tax reassessments                                    | 60,169     | 307,610             |
|   | 13,366,435 | 15,688,461          |
| Decrease in working capital                                 | 357,160    | 1,018,320           |
| Working capital, beginning of year                          | 1,152,877  | 2,171,197           |
| Working capital, end of year                                | \$ 795,717 | \$ 1,152,877        |



# Consolidated Balance Sheet

## ASSETS

### Current

|   |                     |                     |
|---|---------------------|---------------------|
| Cash  | <b>\$ 3,106,843</b> | <b>\$ 2,689,449</b> |
| Marketable securities, at cost (market value \$2,228,412; 1973 \$1,930,264) | <b>1,670,760</b>    | <b>2,027,189</b>    |
| Receivables   |                     |                     |
| Trade   | <b>3,633,496</b>    | <b>2,424,916</b>    |
| Loans (Note 2)  | <b>2,213,097</b>    | <b>1,867,018</b>    |
| Inventories, at cost  | <b>11,732,533</b>   | <b>9,079,879</b>    |
| Prepaid expenses  | <b>562,818</b>      | <b>420,598</b>      |
|   | <b>22,919,547</b>   | <b>18,509,049</b>   |

### Mortgages, loans and notes receivable

|                |                |
|----------------|----------------|
| <b>302,288</b> | <b>315,692</b> |
|----------------|----------------|

### Real estate

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Property, at cost                |                   |                   |
| Land and interest in land leases | <b>2,571,015</b>  | <b>1,453,688</b>  |
| Buildings and equipment          | <b>28,821,227</b> | <b>21,034,102</b> |
|                                  | <b>31,392,242</b> | <b>22,487,790</b> |
| Accumulated depreciation         | <b>1,243,973</b>  | <b>562,362</b>    |
|                                  | <b>30,148,269</b> | <b>21,925,428</b> |
| Other assets                     | <b>407,596</b>    | <b>147,487</b>    |
|                                  | <b>30,555,865</b> | <b>22,072,915</b> |

### Merchandising property, at cost

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Land                             | <b>2,253,466</b>    | <b>2,522,906</b>    |
| Buildings and parking facilities | <b>4,706,256</b>    | <b>4,346,541</b>    |
| Equipment                        | <b>10,063,578</b>   | <b>8,908,362</b>    |
| Leasehold improvements           | <b>2,068,147</b>    | <b>1,384,304</b>    |
|                                  | <b>19,091,447</b>   | <b>17,162,113</b>   |
| Accumulated depreciation         | <b>5,875,609</b>    | <b>5,122,737</b>    |
|                                  | <b>13,215,838</b>   | <b>12,039,376</b>   |
|                                  | <b>\$66,993,538</b> | <b>\$52,937,032</b> |

The accompanying notes form part of this statement.



**SOBEYS STORES LIMITED  
AND SUBSIDIARY COMPANIES**  
Year Ended May 4, 1974

**LIABILITIES**

**Current**

|  |                     |                     |
|--|---------------------|---------------------|
| Bank indebtedness (Note 3)             | <b>\$ 4,076,595</b> | <b>\$ 2,802,707</b> |
| Banker's acceptance                    | <b>1,500,000</b>    | <b>1,500,000</b>    |
| Other loans                            | <b>70,000</b>       | <b>465,000</b>      |
| Payables and accruals                  | <b>15,342,557</b>   | <b>11,472,274</b>   |
| Long term debt payable within one year | <b>999,054</b>      | <b>798,006</b>      |
| Income taxes payable                   | <b>135,624</b>      | <b>318,185</b>      |

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>22,123,830</b> | <b>17,356,172</b> |
|--|-------------------|-------------------|

**Long term debt (Note 4)**

|               |                   |                   |
|---------------|-------------------|-------------------|
| Real estate   | <b>24,649,690</b> | <b>15,848,470</b> |
| Merchandising | <b>6,208,773</b>  | <b>6,872,015</b>  |

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>30,858,463</b> | <b>22,720,485</b> |
|--|-------------------|-------------------|

**Minority interest**

|  |                |                |
|--|----------------|----------------|
|  | <b>858,000</b> | <b>302,732</b> |
|--|----------------|----------------|

**Deferred income taxes**

|  |                  |                  |
|--|------------------|------------------|
|  | <b>4,368,866</b> | <b>4,087,576</b> |
|--|------------------|------------------|

**SHAREHOLDERS' EQUITY**

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Capital stock (Note 5)          | <b>3,682,530</b> | <b>3,738,030</b> |
| Capital redemption reserve fund | <b>244,520</b>   | <b>189,020</b>   |
| Retained earnings               | <b>4,857,329</b> | <b>4,543,017</b> |
|                                 | <b>8,784,379</b> | <b>8,470,067</b> |

|  |                     |                     |
|--|---------------------|---------------------|
|  | <b>\$66,993,538</b> | <b>\$52,937,032</b> |
|--|---------------------|---------------------|

Signed on behalf of the Board

**FRANK H. SOBEY**  
Director

**WILLIAM M. SOBEY**  
Director



# Notes to Consolidated Financial Statements

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## 1. Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of all subsidiary companies.

During the year the company, through a subsidiary, increased its interest in Canadian Shopping Centres Limited to 94.39% and acquired 90.3% of Johnson and MacDonald Limited. These acquisitions have been accounted for as purchases and consolidated from their respective dates of acquisition.

|  |                   |
|--|-------------------|
| Total assets acquired  | \$3,600,789       |
| Adjustment to fair value   | 445,496           |
|  | <u>4,046,285</u>  |
| Liabilities assumed  | 3,031,108         |
| Minority interest  | 233,586           |
| Consideration paid   | 690,090           |
|  | <u>3,954,784</u>  |
| Excess of net assets acquired over consideration paid, credited to retained earnings | <u>\$ 91,501</u>  |
| Consideration paid   |                   |
| Cash   | \$ 91,800         |
| Capital stock  | 598,290           |
|  | <u>\$ 690,090</u> |

The acquisition of Canadian Shopping Centres Limited resulted in a disposition by the company of approximately 8.61% of its interest in Atlantic Shopping Centres Limited. This disposition resulted in a gain which is included in income as an extraordinary item.

## 2. Short term loans

The company advances cash from time to time on a demand note basis at current bank rates of interest to Sobey Leased Properties Limited and other companies. It also advances funds without interest to these companies for their use in acquiring, constructing and leasing shopping centre properties for and on behalf of the company.

## 3. Bank loans

The bank loans are secured by an assignment of receivables and marketable securities.



**SOBEYS STORES LIMITED  
AND SUBSIDIARY COMPANIES**  
May 4, 1974

**4. Long term debt**

**Real estate**

**Term financing**

9% second mortgage

**\$ 1,050,000**

**\$ 1,050,000**

7% note and mortgage payable

**395,605**

**119,605**

Construction demand loans and  
advances (prime rate plus  
1<sup>3</sup>/<sub>4</sub>% to 2%)

**5,671,108**

**5,214,014**

**7,116,713**

**6,383,619**

**Permanent financing**

10<sup>1</sup>/<sub>2</sub>% first mortgage loan to  
December 15, 1974

**108,433**

9<sup>3</sup>/<sub>4</sub>% first mortgage loan to  
April 15, 1976

**236,030**

**240,841**

9<sup>1</sup>/<sub>2</sub>% first mortgage loan to  
February 15, 1977

**3,381,368**

**3,420,635**

7% debentures to April 1, 1980

**280,000**

9<sup>3</sup>/<sub>4</sub>% debentures to  
January 15, 1981

**500,000**

6<sup>1</sup>/<sub>4</sub>% first mortgage sinking  
fund bonds to January 2, 1982

**511,000**

6<sup>1</sup>/<sub>2</sub>% first mortgage sinking  
fund bonds to October 1, 1982

**167,500**

9% first mortgage loan to  
October 1, 1987

**3,572,000**

**3,724,000**

10% debentures to October 1, 1993

**3,250,000**

9<sup>5</sup>/<sub>8</sub>% first mortgage sinking  
fund bonds to January 15, 1994

**3,700,000**

9% first mortgage loan to  
July 30, 1997

**2,400,000**

**2,500,000**

**18,106,331**

**9,885,476**

**25,223,044**

**16,269,095**

**Current maturities**

**573,354**

**420,625**

**\$24,649,690**

**\$15,848,470**

Debt retirement payments in each of the next five years are:

1975

**\$ 124,000**

**\$ 449,354**

1976

**1,560,000**

**491,796**

1977

**1,917,500**

**512,396**

1978

**1,414,635**

**532,692**

1979

**750,000**

**554,480**



# Notes to Consolidated Financial Statements

## 4. Long term debt (Cont'd)

### Merchandising

#### Sinking fund debentures

| Series | Maturity  | 1974             | 1973             |
|--------|---|------------------|------------------|
| C      | 4 <sup>3</sup> / <sub>4</sub> % September 1, 1975 | \$ 230,000       | \$ 245,000       |
| D      | 6% May 1, 1977                                    | 367,500          | 390,000          |
| E      | 6% March 1, 1981                                  | 610,000          | 640,000          |
| F      | 6% April 1, 1984                                  | 700,000          | 730,000          |
| G      | 5 <sup>3</sup> / <sub>4</sub> % April 15, 1985    | 365,000          | 380,000          |
| H      | 6% November 1, 1985                               | 760,000          | 790,000          |
| I      | 7 <sup>1</sup> / <sub>4</sub> % June 15, 1987     | 820,000          | 850,000          |
| J      | 8 <sup>1</sup> / <sub>2</sub> % March 1, 1989     | 850,000          | 880,000          |
|        |   | <b>4,702,500</b> | <b>4,905,000</b> |

#### Loans

|  |                  |                  |
|--|------------------|------------------|
| 9 <sup>3</sup> / <sub>4</sub> % loan, maturing in equal annual installments to 1975          | 250,000          | 500,000          |
| 9 <sup>1</sup> / <sub>4</sub> % term loan to 1985  | 880,000          | 960,000          |
| Bank loan  | 673,750          | 700,000          |
| Mortgages, maturing 1973 to 1989 with interest rates at 6 - 10 <sup>1</sup> / <sub>2</sub> % | 284,119          | 383,396          |
|  | <b>6,790,369</b> | <b>7,448,396</b> |

|   |                     |                     |
|---|---------------------|---------------------|
| Current maturities (including bonds held for sinking fund purposes) | 581,596             | 576,381             |
|   | <b>\$ 6,208,773</b> | <b>\$ 6,872,015</b> |

Long term debt retirement payments for the next five years are:  
1975-\$581,596; 1976-\$532,700; 1977-\$618,200;  
1978-\$296,200; 1979-\$296,700.

## 5. Capital stock

### Authorized

250,000 6 1/4% cumulative redeemable preference shares of \$20 par value each, issuable in series  
750,000 Class "A" common shares without nominal or par value  
500,000 Class "B" common shares without nominal or par value

### Issued and outstanding

|   |                    |                    |
|---|--------------------|--------------------|
| 62,774 (1973 - 65,549) preference shares, 1966 series | \$1,255,480        | \$1,310,980        |
| 520,860 Class "A" common shares                       | 1,739,850          | 1,739,850          |
| 254,000 Class "B" common shares                       | 687,200            | 687,200            |
|   | <b>\$3,682,530</b> | <b>\$3,738,030</b> |

**5. Capital stock (Cont'd)**

The 1966 series preference shares may be called at par at any time. The company is required to provide a \$30,000 fund each year, from which shares may be purchased for redemption. During the year, 2,775 shares were purchased and cancelled, reducing the preference capital to \$1,255,480 and \$55,500 has been transferred to the capital redemption reserve fund.

The company has reserved a maximum of 20,000 unissued Class "A" common shares to satisfy the conditions relating to share purchase warrants issued with the sinking fund debentures, Series J. These share purchase warrants entitle the bearers thereof to purchase 20,000 Class "A" common shares at the subscription price of \$12 per share up to March 1, 1979. If these warrants were exercised, earnings per share would be diluted by \$ .02.

**6. Other items**

Gain on sale of property  
and investments  
Store opening costs and provision  
for store closing costs

| 1974             | 1973             |
|------------------|------------------|
| \$234,803        | \$129,482        |
| 147,753          |                  |
| <b>\$ 87,050</b> | <b>\$129,482</b> |

**7. Income taxes**

As at May 4, 1974 the company and its subsidiaries had accumulated losses of approximately \$1,060,000 which may be applied to reduce future income taxes payable. It is anticipated that these losses will be applied to income in 1975 and the income tax effect will be recorded at that time.

**8. Long term leases**

During the year the company paid \$2,015,998 in rentals under lease agreements extending beyond five years from the balance sheet date. The company also received \$5,087,577 rental income as lessor under long term leases.



# Notes to Consolidated Financial Statements

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## 9. Contingent liabilities

### Guarantees

The company has undertaken by separate agreement to provide cash to meet any obligations which Sobey Leased Properties Limited are unable or fail to meet, with respect to their debenture debt, until all of their debentures have been paid in full in accordance with their terms. Any deficiency payment made by the company will be in consideration of the issue to it of an appropriate number of fully paid and non-assessable 6% redeemable, non-voting preference shares of the company. At balance sheet date the aggregate outstanding principal amounts of these debentures is \$1,715,000.

The company has guaranteed bank loans with an outstanding balance of \$2,300,000 to Foord Construction Limited, for the construction of buildings on behalf of the company and its subsidiaries, bank loans of \$239,000 for Sobey Leased Properties Limited and bank loans of \$1,150,000 for Granville Developments Limited, a joint venture for the development of a shopping centre project.

### Outstanding contracts

A subsidiary company has contracted for the construction of additional buildings in the amount of \$1,846,787. At May 4, 1974 costs of this project amounted to \$558,403 and are included in the cost of buildings. Medium term financing has been arranged for these projects.

## 10. Other matters

Subsequent to the year end of a subsidiary company, certain of its inventories, buildings and equipment were destroyed by fire. At the subsidiary's year end the book value of the assets destroyed was \$1,562,000. These assets were insured, business interruption insurance was in effect, and no losses are anticipated.

## 11. Directors and officers remuneration

Total remuneration to the officers and directors of Sobeys Stores Limited and subsidiary companies for the year was \$382,920.

## 12. Comparative figures

The figures for the previous year have been reclassified, where necessary, to conform with the current year's presentation.



# Auditors' Report

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To the Shareholders of  
Sobeys Stores Limited

We have examined the consolidated balance sheet of Sobeys Stores Limited as at May 4, 1974 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Sobeys Stores Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who examined the financial statements of the subsidiary company, Lumsden Brothers Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at May 4, 1974 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. Doane and Company  
Chartered Accountants

New Glasgow, Nova Scotia  
June 28, 1974



# Consolidated Ten Year History

## SOBEYS STORES LIMITED AND SUBSIDIARY COMPANIES

| Operations                                       | 1974         | 1973         | 1972         | 1971       | 1970       | 1969       | 1968       | 1967       | 1966       | 1965       |
|--|--------------|--------------|--------------|------------|------------|------------|------------|------------|------------|------------|
| Depreciation                                     | \$ 1,629,666 | \$ 1,244,903 | \$ 1,006,834 | \$ 937,992 | \$ 759,471 | \$ 664,027 | \$ 577,885 | \$ 528,809 | \$ 527,106 | \$ 440,469 |
| Interest on long term debt                       | 2,278,745    | 1,140,067    | 748,739      | 805,987    | 436,941    | 328,009    | 312,920    | 263,076    | 248,133    | 191,274    |
| Cash flow  | 2,705,300    | 2,424,114    | 2,074,443    | 1,826,278  | 2,347,505  | 2,105,345  | 2,016,951  | 1,579,791  | 1,336,179  | 1,058,760  |
| Income taxes                                     | 556,886      | 512,813      | 389,924      | 371,031    | 700,006    | 640,044    | 638,715    | 491,708    | 431,455    | 387,988    |
| Gain on sale of fixed assets<br>and investments  | 234,803      | 129,482      | 165,409      | 165,841    | 285,377    | 130,308    | 106,183    | 200,411    | 214,961    | 50,593     |
| Net income after provision<br>for income taxes   | 643,029      | 742,492      | 742,959      | 677,503    | 988,337    | 829,712    | 807,764    | 752,952    | 664,315    | 508,179    |
| <b>Shareholders information</b>                  |              |              |              |            |            |            |            |            |            |            |
| Cash flow per share                              | 3.49         | 3.12         | 2.68         | 2.42       | 3.20       | 2.87       | 2.73       | 2.20       | 1.90       | 1.56       |
| Equity per share*                                | 9.72         | 9.24         | 9.15         | 8.89       | 8.44       | 7.73       | 8.35       | 7.81       | 6.76       | 5.72       |
| Preferred share dividend                         | 6.25%        | 6.25%        | 6.25%        | 6.25%      | 6.25%      | 6.25%      | 6.25%      | 6.25%      | 6.25%      | 6.25%      |
| Common share earnings                            | .73          | .85          | .85          | .78        | 1.23       | 1.01       | .98        | .98        | .97        | .75        |
| Common A share dividend                          | .40          | .40          | .40          | .39        | .36        | .36        | .32        | .32        | .27        | .25        |
| Common B Share dividend                          | .30          | .40          | .40          | .39        | .36        | .36        | .32        | .32        | .27        | .25        |
| Average number of<br>common shares outstanding** | 774,860      | 774,860      | 774,860      | 753,860    | 732,860    | 732,860    | 729,860    | 716,860    | 693,430    | 680,000    |
| <b>Financial position</b>                        |              |              |              |            |            |            |            |            |            |            |
| Working capital                                  | 795,717      | 1,152,877    | 2,325,738    | 2,299,736  | 1,269,225  | 1,764,079  | 1,641,712  | 457,993    | 1,747,417  | 1,359,101  |
| Fixed assets                                     | 43,364,107   | 33,964,804   | 21,860,504   | 19,160,180 | 18,240,269 | 13,695,220 | 12,686,570 | 12,111,762 | 7,870,999  | 6,637,985  |
| Long term debt                                   | 30,858,463   | 22,720,485   | 12,409,322   | 10,050,998 | 8,747,689  | 5,875,562  | 5,056,059  | 4,384,680  | 4,416,000  | 3,619,000  |
| Net tangible assets<br>per \$1,000 debenture     | 4,114        | 3,735        | 3,533        | 3,300      | 3,116      | 2,729      | 2,908      | 2,944      | 2,179      | 2,203      |

\*1972 and prior years restated for excess of cost of investments over book value on acquisition written off.

\*\*adjusted for stock split





